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NOFORN
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TREASURY FOR MMILLERWISE, JBURKE, DFERNANDEZ

E.O. 12958: DECL: 09/22/2018
TAGS: EFIN PREL KNNP KTFN IR NL
SUBJECT: TREASURY U/S LEVEY CALLS DUTCH OFFICIALS'
ATTENTION TO IRAN'S DECEPTIVE PRACTICES

Classified By: Pol-Econ Counselor Andrew Mann, reasons 1.4 (b),(d)

¶1. (S/NF) SUMMARY: In a productive meeting with the Dutch Finance Ministry (MoF) and Foreign Ministry (MFA), Treasury U/S Levey discussed Iran's efforts to circumvent international financial sanctions. The MoF's number three official, Ronald Gerritse, engaged as U/S Levey spoke about Credit Europe (a bank operating in the Netherlands that is facilitating transactions for Iranian banks) and the need to target parts of the insurance sector vulnerable to Iranian deception. Gerritse told U/S Levey that MoF would follow up vigorously with relevant Dutch financial regulators on all issues raised. END SUMMARY.

¶2. (S/NF) Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey and Treasury officials Molly Millerwise and Jonathan Burke met with Dutch government officials September 12 to discuss efforts to prevent Iran from evading financial sanctions. Ronald Gerritse, MoF Secretary General and Treasurer, led the Dutch side. Andre van Wiggen, MFA Deputy Director of the Terrorism and New Threats Unit, and sanctions experts from MoF and MFA joined Gerritse.

Warning on Banks that Facilitate Iranian Transactions

¶3. (S/NF) U/S Levey described his visit to the Netherlands as part of a series of conversations with governments and financial institutions regarding the few European banks that still provide payment services to Iranian entities. He praised the multilateral coalition that has worked in recent years to enforce international sanctions on Iran. However, he said, Iran continues to evade the sanctions, victimizing financial institutions that have borne the brunt of this illicit conduct (a reference to ABN Amro, a Dutch bank). U/S Levey said most European banks have decided to forego Iran-related business because it is too risky, but one of the few exceptions is Credit Europe (a Turkish-owned bank operating under a Dutch license). He shared information with Gerritse suggesting Credit Europe has played a role in providing significant volume of payment services to Iran and had been involved in some illicit transactions with Iran. Gerritse was disconcerted by this information and asked whether U/S Levey thought Credit Europe had played this role willingly. U/S Levey said no, he assumed that Credit Europe was not conspiring with Iran, but that the payment services business exposed the bank to serious risk. Gerritse indicated he thought the banking supervisors at the Dutch Central Bank (DNB) were already scrutinizing Credit Europe and he would ensure they followed up on the matter diligently.

¶4. (S/NF) U/S Levey stressed the need for European banks to exercise great vigilance in dealing with any Iranian bank,

including the Central Bank of Iran, as they could unwittingly involve themselves in efforts to circumvent sanctions. He described a scheme Bank Sepah employed to disguise payments as innocuous transactions. He said financial institutions acting as high-volume correspondent banks (rather than handling only their own customers' transactions) would inevitably handle transactions that violate the law. U/S Levey agreed that performing detailed due diligence on each transaction of this type might not be efficient but, as the burden of proof has shifted, correspondent banks could no longer take for granted what transactions purported to be. Gerritse assured U/S Levey that the MoF would take up this point with DNB.

New Focus on Insurance Industry's Role

¶15. (S/NF) U/S Levey also raised the issue of the insurance industry's vulnerability to deceptive Iranian practices. He noted that the international community had not scrutinized the insurance industry as it did the banking sector in implementing UN Security Council resolutions prohibiting the provision of financial services to Iran. Specifically, he described how insurance supported Islamic Republic of Iran Shipping Lines (IRISL), which Treasury had designated September 10 for its illicit proliferation activity. Gerritse asked whether targeting IRISL's insurance providers would have a knock-on effect in the oil market. U/S Levey responded that a separate Iranian shipping company handled all of Iran's oil, so focusing on IRISL's bad conduct should not affect the oil market.

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Firm Dutch Commitment to Enforcing Financial Sanctions

¶16. (S/NF) Gerritse assured Levey that the Netherlands was very much in line with the United States on the issues of terrorism finance and Iran. He committed to have Finance Minister Wouter Bos take up the Credit Europe and insurance issues with the head of DNB. U/S Levey expressed his interest in discussing the Credit Europe case in greater detail in the future.

¶17. (U) U/S Levey has cleared this cable.
Culbertson